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**CITY OF RICHLAND**

**AUDITED FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2014**

10/27/14

# CITY OF RICHLAND

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**CITY OF RICHLAND**  
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**INDEPENDENT AUDITORS' REPORT**

# *Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
Gary L. Walker, CPA  
Jessica Lea Minter, CPA, PFS

MEMBERS  
American Institute of  
Certified Public Accountants  
Mississippi Society of  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen  
City of Richland  
Richland, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richland, Mississippi, as of September 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through ix and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Mayor and Board of Aldermen  
City of Richland  
Page 3

*Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richland, Mississippi's basic financial statements. The schedules of changes in long-term debt and surety bonds for municipal officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lyle Walker & Co., P.A.*

Ridgeland, Mississippi  
March 23, 2015



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

MARK S. SCARBOROUGH  
MAYOR  
601-932-1256

**ALDERMEN**

CLAY BURNS  
ROBERT CRAFT  
PAT SULLIVAN  
BOB WEDGEWORTH  
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***City of Richland, Mississippi  
Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2014***

This Discussion and Analysis of the City of Richland, Mississippi, financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

**Financial Highlights**

The City of Richland's assets exceeded its liabilities by \$27,451,727 (net position) for the fiscal year reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$17,643,988 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net position of \$1,359,808 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws or regulations.
- (3) Unrestricted net position of \$8,447,931 represents the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental funds on a budgetary basis reported total ending fund balances of \$5,488,560 this year. This compares to the prior year ending fund balance of \$4,705,063 showing an increase of \$783,497 during the year.

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371 SCARBROUGH STREET  
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At the end of the current fiscal year, fund balance on a budgetary basis for the General Fund was \$4,128,752 or 41% of total General Fund expenditures including transfers and 40% of total General Fund revenues including transfers.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statement. The basic financial statements include: 1) government-wide financial statements; 2) fund financial statement; and 3) notes to the basic financial statement. The report also contains other required supplementary information in addition to the basic financial statements.

#### *Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Richland's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Richland's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the City of Richland is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Richland that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Richland include general government, public safety, public services, culture and recreation. The business-type activities include water and sewer utilities and solid waste management.

The government-wide financial statements include the funds of the City (primary government) and organizations for which the City is accountable (component units).

## *Fund Financial Statements*

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Richland uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Richland can be divided into two categories: governmental funds and proprietary funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Governmental funds include the general fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the "Balance Sheet-Governmental Funds" "Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Richland maintains individual governmental funds in accordance with the *Municipal Audit and Accounting Guide* issued by the Mississippi Office of the State Auditor. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 6 - 9 of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City of Richland charges customers a fee. There are two kinds of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for the Water and Sewer Department. Fund financial statements for the proprietary fund provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary funds financial statements can be found on pages 10 - 14 of this report.

*Notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15 - 32 of this report.

**Government-wide Financial Analysis**

*Net Position:* Net position may serve over time as a useful indicator of the government's financial position. The City of Richland's net position at fiscal year-end is \$27,451,727. The following table provides a summary of the City's net assets for the fiscal year ended September 30, 2014:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Current and other assets	\$ 10,738,384	\$ 4,741,419	\$ 15,479,803
Capital assets	<u>11,698,278</u>	<u>9,356,242</u>	<u>21,054,520</u>
Total assets	<u>22,436,662</u>	<u>14,097,661</u>	<u>36,534,323</u>
Long-term liabilities	2,504,055	64,136	2,568,191
Other liabilities	<u>6,077,542</u>	<u>436,863</u>	<u>6,514,405</u>
Total liabilities	<u>8,581,597</u>	<u>500,999</u>	<u>9,082,596</u>
Net Position:			
Invested in capital assets net of related debt	8,386,772	9,257,216	17,643,988
Debt restricted for debt service	1,359,808	-	1,359,808
Unrestricted	<u>4,108,485</u>	<u>4,339,446</u>	<u>8,447,931</u>
Total net position	<u>\$ 13,855,065</u>	<u>\$13,596,662</u>	<u>\$ 27,451,727</u>

The following table provides a summary of the City's changes in net position:  
 Summary of Changes in Net position

	Governmental Activities	Business-type Activities	Total
<b>Revenues</b>			
Program revenues			
Charge for service	\$ -	\$ 2,401,161	\$ 2,401,161
General revenues			
Advalorem taxes	2,651,725	-	2,651,725
Sales tax	5,285,512	-	5,285,512
Licenses and permits	171,798	-	171,798
Intergovernmental revenues	110,033	-	110,033
Garbage fees	260,930	-	260,930
Fines and forfeits	314,795	-	314,795
Franchise tax	271,443	-	271,443
Interest	128,200	3,454	131,654
Grand Gulf	120,038	-	120,038
Drug Seizure	713,916	-	713,916
Miscellaneous	782,222	-	782,222
Assessments	196,429	-	196,429
Transfers	60,000	(60,000)	-
<b>Total revenues</b>	<b>11,067,041</b>	<b>2,344,615</b>	<b>13,411,656</b>
<b>Expenses:</b>			
General government	958,572	-	958,572
Police Department	3,494,081	-	3,494,081
Court Services	411,765	-	411,765
EOC Department	1,157	-	1,157
Fire Department	1,938,440	-	1,938,440
Street Department	1,154,923	-	1,154,923
Planning and Development	303,212	-	303,212
Sanitation Department	304,469	-	304,469
Parks and Recreation	880,306	-	880,306
Library	24,682	-	24,682
Urban Programs	46,436	-	46,436
Depreciation and transfer	479,457	-	479,457
Net Interest	169,752	-	169,752
Water and sewer	-	2,133,478	2,133,478
<b>Total expenses</b>	<b>10,167,252</b>	<b>2,133,478</b>	<b>12,300,730</b>
Change in net position	899,789	211,137	1,110,926
Beginning net position	12,955,276	13,385,525	26,340,801
Ending net position	\$ 13,855,065	\$ 13,596,662	\$ 27,451,727

## **Financial Analysis of the City's Funds**

*Governmental funds:* The focus of the City of Richland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$5,488,560. Of this year-end total \$1,268,566 is unassigned indicating availability for continuing City service requirements. Reserved fund balances include \$1,359,808 committed to debt service.

The total ending fund balances of governmental funds show an increase of \$783,497 under the prior year.

The general fund is the chief operating fund of the City of Richland. The fund balance of the City's general fund increased by \$457,849 during the fiscal year ended September 30, 2014.

The debt service fund has a total fund balance of \$686,122, all of which is reserved for the payment of debt service.

*Proprietary funds:* At the close of the fiscal year, the City of Richland's proprietary fund reported total net position of \$13,596,662. Operating revenues totaled \$2,401,161 and operating expenses totaled \$2,131,212 resulting in operating income of \$269,949. After non-operating expenses of \$1,188, and a transfer to the general fund of \$60,000, the change in net assets in the proprietary fund was an increase of \$211,137.

## **General Fund Budgetary Highlights**

The General Fund budget for fiscal year ended September 30, 2014 was \$15,113,977.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

The difference between the original budget and the final amended budget was a net revenue increase of \$357,036. This increase can be briefly summarized as follows:

**MARK S. SCARBOROUGH**  
MAYOR  
601-932-1256

### **ALDERMEN**

CLAY BURNS  
ROBERT CRAFT  
PAT SULLIVAN  
BOB WEDGEWORTH  
CATHEY WYNNE



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**MAYOR**  
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May 20, 2015

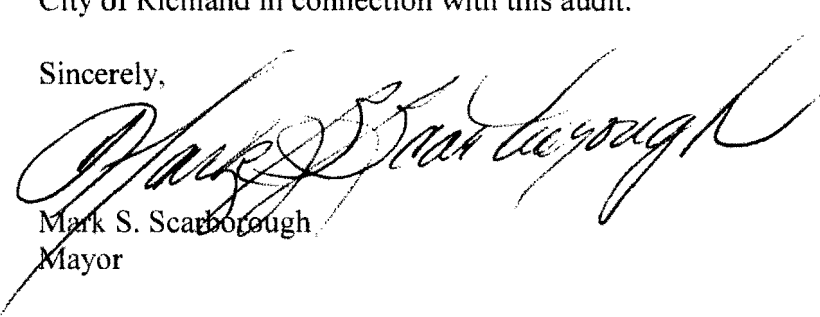
Office of the State Auditor  
501 North West Street  
Suite 801 Woolfolk Building  
Jackson, MS 39201

RE: Annual Municipal Audit

Attn: Department of Technical Assistance

Accompanying this letter are two (2) hard copies of the annual audit of the City of Richland, Mississippi, for fiscal year ended September 30, 2014. An electronic copy of the audit in pdf format has been e-mailed to your office. A separate management letter was not written to the City of Richland in connection with this audit.

Sincerely,

  
Mark S. Scarborough  
Mayor

attachments

(Email copy sent to tech@osa.ms.gov)

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Of this net increase, \$249,536 from Sales Tax, \$96,000 from Drug Seizure, and \$11,500 from Franchise Tax.

### **Capital Assets and Debt Administration**

*Capital Assets:* The City of Richland's investment in capital assets for the governmental and business-type activities as of September 30, 2014 was \$22,575,670 and \$19,798,168 respectively, resulting in the total capital assets of \$42,373,838. This includes land, infrastructure, buildings, furniture and equipment, and mobile equipment.

Total accumulated depreciation as of September 30, 2014 was \$21,319,318. (\$10,877,392 for government-type activities and \$10,441,926 for business-type activities) The balance in total net capital assets was \$21,054,520.

*Debt Administration:* At September 30, 2014, the City of Richland had \$3,410,532 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, special assessment debt, capital improvement revolving loans and loans/leases.

General Fund revenue funded the Tax Increment Limited Obligation Bonds and Notes/Leases for \$361,866 this fiscal year reported. Since the Tax Increment Limited Obligation Bonds were issued in 2000, the General Fund revenues have increased 109% from \$5,271,691 to \$11,007,041. The General Obligation Special Improvement Bonds are funded from assessments levied against the property owners benefited by this construction. A 2% Community Development Tax levied by Mississippi Legislature House Bill 1717 on April 16, 1998, generated 139% of the funds required for the debt service of the Mississippi Development Bank Special Obligation Bonds.

Enterprise Fund revenue provided funding of the Capital Improvements Revolving Loan and Notes/Leases for \$99,026 this fiscal year.

The City of Richland maintains an "A-" bond rating from Standard & Poor's. The State of Mississippi limits the amount of debt a city can issue to 15% of the assessed value of the taxable property within the City. The City's outstanding debt is significantly below its current limit of 16 million dollars.

Additional information on the City's long-term debt can be found on page 25 through page 29 of this report.

## **Economic Factors and Next Year's Budget and Rates**

When creating the budget, the City of Richland leadership's primary objective was to provide quality city services while at the same time attempting to keep property rates low. We expect an increase in sales taxes revenue due to our healthy economy.

The City of Richland is a distribution center for the southeastern United States. Our economic base is dependent on retail sales and industrial development. The City, however, is not dependent on a particular business to maintain its tax base. It has been able to see a growing tax base and to experience a stable economy from business development and employment growth.

The City of Richland has the following projects underway that will be of benefit to the municipality:

1. *Beautification and Litter Control:* We will continue to use prison labor for the pickup of litter and trash in our city on the major byways. We will begin additional beautification measures throughout the city and amend/add ordinances that will enhance our city and its environment.
2. *Library Expansion:* We are aware that there is a definite need for more space due to the thriving children's programs. We will look at different options to help alleviate this problem.
3. *Police Department Expansion:* Construction is complete on the new Police Department building and Police Department personnel have moved into their new offices.
4. *Parks and Recreation:* Plans are to construct pavilions and picnic areas at Ronnie Bridges Westside Park. With donated land near the Community Center, the City plans to expand the walking trails and include pavilion areas for picnics and multi-purpose fields. New summer activities have been added for our younger youth.
5. *Senior Citizens:* Richland's Senior Adult Department organizes a variety of year-round opportunities for active senior adults ages 55 and over. We provide a safe, enjoyable program to enhance their quality of life and improve their overall health and well-being.
6. *Richland Town Square:* The City has completed the street and sidewalks to our new Town Square and will soon begin to install lights.
7. *Water Line Replacement:* The Water Department will soon begin installing new water lines in various areas within our service area. Some of the work will be to replace old lines and some will be to improve lines and provide fire protection in areas that don't have fire hydrants.

8. *Highway 49 Expansion:* The City will be working with the Mississippi Department of Transportation to develop the Highway 49 expansion through the City.
9. *Streets Department:* The City is working with engineers on an elevated bridge proposed for the Kansas City Southern Railroad and to relocate Riverview Drive to accommodate the project.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Richland's finances and to demonstrate the City's commitment to public accountability for the funds it receives. If you have any questions about this report or would like to request additional information, please contact the City of Richland, City Clerk's Office, P. O. Box 180609, Richland, Mississippi 39218-0609.

**BASIC FINANCIAL STATEMENTS**

CITY OF RICHLAND

STATEMENT OF NET POSITION  
YEAR ENDED SEPTEMBER 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 6,609,343	\$ 4,225,591	\$ 10,834,934
Receivables (net of uncollectible amounts)	3,898,279	296,686	4,194,965
Restricted cash and cash equivalents	230,762	219,142	449,904
Capital assets:			
Land and buildings	8,369,180	7,315	8,376,495
Improvements	8,040,526	18,513,323	26,553,849
Machinery and equipment	6,165,964	1,277,530	7,443,494
Accumulated depreciation	(10,877,392)	(10,441,926)	(21,319,318)
<b>Total assets</b>	<b>22,436,662</b>	<b>14,097,661</b>	<b>36,534,323</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	577,931	137,210	715,141
Uncleared drug seizure	524,713	-	524,713
Customer deposits	-	218,360	218,360
Accrued salaries	158,810	14,559	173,369
Accrued vacation pay	269,929	31,844	301,773
Deferred revenue	3,738,708	-	3,738,708
Noncurrent liabilities:			
Due within one year	807,451	34,890	842,341
Due within more than one year	2,504,055	64,136	2,568,191
<b>Total liabilities</b>	<b>8,581,597</b>	<b>500,999</b>	<b>9,082,596</b>
<b><u>NET POSITION</u></b>			
Invested in capital assets net of debt	8,386,772	9,257,216	17,643,988
Restricted for debt service	1,359,808	-	1,359,808
Unrestricted	4,108,485	4,339,446	8,447,931
<b>Total net position</b>	<b>\$ 13,855,065</b>	<b>\$ 13,596,662</b>	<b>\$ 27,451,727</b>

See accompanying notes to the financial statements.

CITY OF RICHLAND

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue
		Charges for Services	Grants and contributions		
			Operating	Capital	
<b>Governmental activities:</b>					
General government	\$ 958,572	\$ -	\$ -	\$ -	\$ (958,572)
Police Department	3,494,081	-	-	-	(3,494,081)
Court Services	411,765	-	-	-	(411,765)
EOC Department	1,157	-	-	-	(1,157)
Fire Department	1,938,440	-	-	-	(1,938,440)
Street Department	1,154,923	-	-	-	(1,154,923)
Planning and Development	303,212	-	-	-	(303,212)
Sanitation Department	304,469	-	-	-	(304,469)
Parks and Recreation	880,306	-	-	-	(880,306)
Library	24,682	-	-	-	(24,682)
Urban Programs	46,436	-	-	-	(46,436)
Depreciation and transfer	479,457	-	-	-	(479,457)
Net interest	169,752	-	-	-	(169,752)
<b>Total governmental activities</b>	<b>10,167,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,167,252)</b>
<b>Business-type activities:</b>					
Water and sewer	2,133,478	2,401,161	-	-	267,683
<b>Total primary government</b>	<b>\$ 12,300,730</b>	<b>\$ 2,401,161</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,899,569)</b>

Continued

See accompanying notes to the financial statements.

**CITY OF RICHLAND**

**STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Change in Net Position:</b>			
Net (expense) revenue	\$ <u>(10,167,252)</u>	\$ <u>267,683</u>	\$ <u>(9,899,569)</u>
<b>GENERAL REVENUES</b>			
Advalorem taxes	2,651,725	-	2,651,725
Sales tax	5,285,512	-	5,285,512
Licenses and permits	171,798	-	171,798
Intergovernmental revenues	110,033	-	110,033
Garbage fees	260,930	-	260,930
Fines and forfeits	314,795	-	314,795
Franchise tax	271,443	-	271,443
Interest	128,200	3,454	131,654
Grand Gulf	120,038	-	120,038
Drug Seizure	713,916	-	713,916
Miscellaneous	782,222	-	782,222
Assessments	196,429	-	196,429
	<u>11,007,041</u>	<u>3,454</u>	<u>11,010,495</u>
<b>TRANSFERS:</b>			
Operating in	60,000	-	60,000
Operating out	-	(60,000)	(60,000)
	<u>11,067,041</u>	<u>(56,546)</u>	<u>11,010,495</u>
<b>Total general revenues and transfers</b>	<u>11,067,041</u>	<u>(56,546)</u>	<u>11,010,495</u>
Change in net position	899,789	211,137	1,110,926
Net position - beginning	<u>12,955,276</u>	<u>13,385,525</u>	<u>26,340,801</u>
Net position - ending	<u>\$ 13,855,065</u>	<u>\$ 13,596,662</u>	<u>\$ 27,451,727</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

BALANCE SHEET

GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash				
Cash on hand	\$ 5,100	\$ -	\$ -	\$ 5,100
Cash on deposit	5,962,685	230,762	641,557	6,835,004
	<u>5,967,785</u>	<u>230,762</u>	<u>641,557</u>	<u>6,840,104</u>
Receivables				
Other	-	1,227,523	-	1,227,523
Due from other funds	-	455,361	-	455,361
Due from other governments	<u>415,943</u>	<u>-</u>	<u>32,129</u>	<u>448,072</u>
Total assets	<u>\$ 6,383,728</u>	<u>\$ 1,913,646</u>	<u>\$ 673,686</u>	<u>\$ 8,971,060</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities				
Accounts payable	\$ 1,088,250	\$ -	\$ -	\$ 1,088,250
Accrued salaries	158,810	-	-	158,810
Accrued vacation pay	264,266	-	-	264,266
Due to other funds	433,582	-	-	433,582
Deferred revenue	310,068	1,227,524	-	1,537,592
Total liabilities	<u>2,254,976</u>	<u>1,227,524</u>	<u>-</u>	<u>3,482,500</u>
Fund Balances				
Restricted for debt service	-	686,122	673,686	1,359,808
Other restricted funds	218,084	-	-	218,084
Nonspendable for drug seizure	27,043	-	-	27,043
Committed for general fund	2,615,059	-	-	2,615,059
Unassigned	1,268,566	-	-	1,268,566
Total fund balances	<u>4,128,752</u>	<u>686,122</u>	<u>673,686</u>	<u>5,488,560</u>
Total liabilities and fund balances	<u>\$ 6,383,728</u>	<u>\$ 1,913,646</u>	<u>\$ 673,686</u>	<u>\$ 8,971,060</u>

See accompanying notes to the financial statements.



**CITY OF RICHLAND**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE GOVERNMENT - WIDE STATEMENTS OF NET POSITION**

**SEPTEMBER 30, 2014**

<b>Total fund balance - total governmental funds</b>	<b>\$ 5,488,560</b>
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
<b>Capital assets of \$22,575,670, net of accumulated depreciation of \$10,877,392, are not financial resources and, therefore are not reported in the funds</b>	<b>11,698,278</b>
<b>GAAP to Budgetary conversion</b>	<b>(20,267)</b>
<b>Notes and bonds payable are not included in the funds</b>	<b><u>(3,311,506)</u></b>
<b>Net position of governmental activities</b>	<b>\$ <u><u>13,855,065</u></u></b>

**See accompanying notes to the financial statements.**

**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Advalorem taxes	\$ 2,651,725	\$ -	\$ -	\$ 2,651,725
Sales tax	4,950,700	-	367,167	5,317,867
Licenses and permits	171,798	-	-	171,798
Inter-governmental revenues	110,033	-	-	110,033
Garbage fees	260,930	-	-	260,930
Fines and forfeits	314,795	-	-	314,795
Franchise tax	271,443	-	-	271,443
Interest	4,632	123,088	480	128,200
Grand Gulf	120,038	-	-	120,038
Drug seizure	713,916	-	-	713,916
Miscellaneous	782,222	196,429	-	978,651
<b>Total revenue</b>	<u>10,352,232</u>	<u>319,517</u>	<u>367,647</u>	<u>11,039,396</u>
<b>EXPENDITURES</b>				
General Government	963,078	-	-	963,078
Police Department	3,507,578	-	-	3,507,578
Court Services	414,684	-	-	414,684
EOC Department	1,157	-	-	1,157
Fire Department	1,942,399	-	-	1,942,399
Public Works	1,159,634	-	-	1,159,634
Planning and development	286,555	-	-	286,555
Sanitation Department	304,469	-	-	304,469
Parks and Recreation	883,711	-	-	883,711
Library	24,682	-	-	24,682
Urban Programs	46,436	-	-	46,436
Debt service - Principal	-	465,000	195,000	660,000
Debt service - Interest	-	71,253	45,523	116,776
Other	-	3,740	1,000	4,740
<b>Total expenditures</b>	<u>9,534,383</u>	<u>539,993</u>	<u>241,523</u>	<u>10,315,899</u>
Excess of revenues/expenditures	817,849	(220,476)	126,124	723,497
Operating transfers out	(420,000)	-	-	(420,000)
Operating transfers in	60,000	420,000	-	480,000
<b>Net change in Fund Balance</b>	<u>457,849</u>	<u>199,524</u>	<u>126,124</u>	<u>783,497</u>
<b>Fund balance - Beginning</b>	<u>3,670,903</u>	<u>486,598</u>	<u>547,562</u>	<u>4,705,063</u>
<b>Fund balance - Ending</b>	<u>\$ 4,128,752</u>	<u>\$ 686,122</u>	<u>\$ 673,686</u>	<u>\$ 5,488,560</u>

See accompanying notes to the financial statements.

CITY OF RICHLAND

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

SEPTEMBER 30, 2014

Net change in fund balances - total government funds \$ 783,497

Amounts reported for governmental activities in the statement  
of activities are different because:

Revenue and expenses reported in the statement of activities do not  
require the use of current resources and, therefore, are not reported  
as revenue and expenditures in governmental funds. (20,267)

Conversion of prior year budgetary accrual 4,252

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense. This  
is the amount by which capital outlay exceeded depreciation expense for the  
period. (244,697)

The net effect of various miscellaneous transactions involving capital  
asset (i.e., sales, trade-ins) is the following amount. (234,760)

The issuance of long-term debt provides current financial resources  
to governmental funds, while the repayment of the long-term debt  
consumes the current financial resources of governmental funds. This  
amount is the net effect of these differences. 611,764

Change in net position of governmental activities \$ 899,789

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>Business-type Activities - Enterprise Funds Water &amp; Sewer</u>
<b><u>ASSETS</u></b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,225,591
Accounts receivable (net of uncollectible allowance)	296,686
Total current assets	<u>4,522,277</u>
<b>Noncurrent assets:</b>	
<b>Restricted cash and cash equivalents:</b>	
Customer deposits	<u>219,142</u>
Total restricted assets	<u>219,142</u>
<b>Capital assets:</b>	
Land	7,315
Improvements	18,513,323
Machinery and equipment	1,277,530
Accumulated depreciation	<u>(10,441,926)</u>
Total capital assets	<u>9,356,242</u>
Total noncurrent assets	<u>9,575,384</u>
Total assets	<u>14,097,661</u>

See accompanying notes to the financial statements.

**Business-type  
Activities -  
Enterprise Funds  
Water & Sewer**

**LIABILITIES**

**Current liabilities:**

Accounts payable	\$	137,210
Customer deposits		218,360
Accrued salaries		14,559
Accrued vacation pay		31,844
Current portion of long term debt		34,890
<b>Total current liabilities</b>		<b><u>436,863</u></b>

**Noncurrent liabilities:**

Notes payable		64,136
<b>Total noncurrent liabilities</b>		<b><u>64,136</u></b>

<b>Total liabilities</b>		<b><u>500,999</u></b>
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**NET POSITION**

Invested in capital assets, net of related debt		9,257,216
Unrestricted		4,339,446

<b>Total net position</b>	<b>\$</b>	<b><u>13,596,662</u></b>
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**CITY OF RICHLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - PROPRIETARY FUND  
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Business-type Activities - Enterprise Funds Water &amp; Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,495,607
Service charges and other	905,554
Total operating revenue	<u>2,401,161</u>
<b>OPERATING EXPENSES</b>	
Personnel services	531,755
Supplies and materials	162,551
Sewer treatment	681,360
Depreciation	517,980
Other	237,566
Total operating expenses	<u>2,131,212</u>
Operating income	<u>269,949</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	3,454
Interest expense	(2,266)
Total nonoperating revenue	<u>1,188</u>
<b>NET INCOME</b>	271,137
Transfer to general fund	<u>(60,000)</u>
<b>NET INCOME AFTER TRANSFERS</b>	211,137
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>13,385,525</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 13,596,662</u>

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers and grants	\$ 2,332,650
Cash payments for goods and services	(1,024,738)
Cash payments (to) from employees	(526,829)
Net cash provided by operating activities	781,083
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Appropriations to restricted cash	(4,383)
Purchase of equipment from unrestricted cash	(341,863)
Payments on long term debt	(34,223)
Transfer to general fund	(60,000)
Net cash used in capital and related financing activities	(440,469)
<b>NET INCREASE IN CASH</b>	<b>340,614</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>3,884,977</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,225,591</b>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	<b>\$ 2,266</b>

- Continued -

See accompanying notes to the financial statements.

**CITY OF RICHLAND**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2014**

**PAGE TWO**

	<b>Business-type Activities - Enterprise Funds Water &amp; Sewer</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net income	\$ 271,137
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	517,980
Changes in:	
Receivables	(71,965)
Payables and accrued liabilities	63,931
Net cash provided by operating activities	\$ <u>781,083</u>

See accompanying notes to the financial statements.



## CITY OF RICHLAND

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### REPORTING ENTITY

The City of Richland was incorporated November 3, 1975. The City operates under an Alderman-Mayor form of government and provides all of the rights and privileges provided by statute for municipalities. On September 18, 1986, the Board of Alderman of the City of Richland approved the merger and dissolution of the Richland Water and Sewer District of Rankin County, Mississippi into the City of Richland to be effective October 1, 1986. Services provided by the City include: public safety - police and fire, street, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services. A public school system is available to residents of the City of Richland but is not under the jurisdictions of the City government.

*Blended component unit.* The Water and Sewer Fund serves all the residents and is governed by the board of Aldermen of the City. The rates for users charges and bond issuance authorizations are approved by the aldermen and the legal liability for the bond and lease obligations of the Funds debt remains with the government. The water and sewer fund is reported as an enterprise fund. The City has no discretely presented component units.

The financial statements of the City have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

#### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

##### Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities. The effect of interfund activity, within the governmental and business type activities, has been removed from these statements. The primary government is presented separately within the financial statements with the focus on the primary government. These statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

# CITY OF RICHLAND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

### FUND FINANCIAL STATEMENTS

The city reports the following major governmental fund:

#### General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

#### Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources for the payment of general long-term debt not being financed by proprietary funds.

The City reports the following as non-major funds:

#### Capital Projects Fund

The Capital Projects Fund accounts for the proceeds from bond issues and other revenues to be used for the authorized construction of fixed assets. This fund is currently being used to account for expenditures for street improvements.

#### Community Development Fund

The Community Development Fund accounts for the proceeds collected in accordance with the Mississippi Legislature House Bill No. 1717 which authorizes the collection of 2% tax on sales of bars and restaurants. The expenditures are for payment of debt.

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following as an enterprise fund:

**Water and Sewer Fund**

The Water and Sewer Fund is used to account for the operations of the Water and Sewer Utility Enterprise Fund. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING,  
AND FINANCIAL STATEMENT PRESENTATION**

*Government-wide statements* report using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Governmental fund financial statements* are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Fines, penalties and interest, and miscellaneous revenues are recorded when received in cash because they are generally not measurable until actually received. Franchise taxes, sales taxes, intergovernmental revenue, and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available. Gross sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

*Proprietary fund financial statements* report operating income as revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash

The City deposits funds in financial institutions selected by the board of aldermen in accordance with state statutes. Various restrictions on deposits are imposed by statutes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

All deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) must be collateralized in the amount equal to 105% of the uninsured deposit.

Receivables

*Enterprise receivables*

Enterprise fund receivables include amounts due from customers primarily for water and sewer services. There is an allowance for uncollectible accounts in the amount of \$63,527 for the year end September 30, 2014.

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Property taxes receivable*

Taxes are levied annually on December 1 and are due for payment without penalty and interest by February 1. Major tax payments are received January through April. Taxes receivable represent delinquent taxes that are received within thirty days. Over time substantially all property taxes are collected.

*Sales tax receivable*

Sales tax receivable represents taxes that are received within thirty days from the State Tax Commission.

Restricted Assets

Restricted assets are monies or other resources which are restricted by legal or contractual requirements. These amounts represent appropriations for debt retirement and capital expenditures and monies received as utility deposits.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

<u>Assets</u>	<u>Years</u>
Vehicles	5
Office equipment	5
Computer equipment	5

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Restrictions associated with property tax levies are established by state law which provides that the state levy for general purposes shall produce no more than 110% of the amount which results from those levies, assessments of the previous year. The City of Richland was in compliance with state law.

Contributions in Aid of Construction

Proceeds from grants from governmental agencies, assessments to customers and interlocal agreements are not reflected as revenues but rather are recorded as a contribution of assets.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when earned in the government-wide & proprietary statements. Vacations can be accumulated up to 240 hours.

# CITY OF RICHLAND

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Long-term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

#### Fund Equity

Beginning with the year ended September 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

1. **Nonspendable** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. **Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. **Committed** – amounts that can be used only for specific purposes determined by the City itself, using its highest level of decision-making authority (i.e. the Board of Aldermen.) Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Aldermen.
4. **Assigned** – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent can be expressed by the Board of Aldermen or by an official body to which the Board delegates the authority.
5. **Unassigned** – all other spendable amounts.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Restricted funds are used first as appropriate. Assigned Funds and committed funds are reduced to the extent that expenditure authority has been budgeted. Decreases to fund balance then reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET BASIS OF ACCOUNTING**

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund to provide a meaningful comparison of actual results with the budget.

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) The department heads submit proposed expenditure budgets to the Mayor.
- 2) The Mayor prepares estimates of available revenue.
- 3) Expenditure budgets are reviewed by the Mayor, the Board of Aldermen and the City Clerk and necessary revisions are communicated to department heads.
- 4) Budgeted revenues and expenditures are balanced and a summary budget is prepared.
- 5) The Mayor and Board of Aldermen approve the final budget and it is published in a local newspaper before September 30.

Mississippi law requires that municipalities budget on a modified-cash-basis. Claims that have been incurred prior to the end of the year and that are paid within 30 days are recorded under the accrual basis. Prior year claims that are paid after 30 days revert to the cash basis. All revenue is accounted for using the cash basis. The required budgetary basis is therefore not considered a generally accepted accounting principle.



CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Capital Assets 9-30-13	Additions	Deductions	Capital Assets 9-30-14
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 1,729,094	\$ -	\$ 234,056	\$ 1,495,038
<b>Other capital assets</b>				
General	2,068,963	5,884	1,322	2,073,525
Police protection	2,883,807	509,937	163,250	3,230,494
Fire protection	2,342,198	14,653	6,077	2,350,774
Public Works	8,108,361	145,364	19,149	8,234,576
Planning	81,160	558	3,125	78,593
Emergency Operations Center	210,436	-	1,370	209,066
Parks	4,375,385	44,995	32,217	4,388,163
Library	515,441	-	-	515,441
Total other capital assets	<u>20,585,751</u>	<u>721,391</u>	<u>226,510</u>	<u>21,080,632</u>
Total other capital assets at historical cost	<u>22,314,845</u>	<u>721,391</u>	<u>460,566</u>	<u>22,575,670</u>
<b>Less accumulated depreciation for:</b>				
General	(763,927)	(52,286)	1,322	(814,891)
Police protection	(1,903,263)	(185,478)	163,250	(1,925,491)
Fire protection	(1,405,334)	(99,304)	5,908	(1,498,730)
Public Works	(3,742,957)	(441,075)	18,681	(4,165,351)
Planning	(68,901)	(6,898)	3,125	(72,674)
Emergency Operations Center	(159,462)	(13,475)	1,370	(171,567)
Parks	(1,884,234)	(154,140)	32,150	(2,006,224)
Library	(209,032)	(13,432)	-	(222,464)
Total accumulated depreciation	<u>(10,137,110)</u>	<u>(966,088)</u>	<u>225,806</u>	<u>(10,877,392)</u>
Governmental activities capital assets, net	<u>\$ 12,177,735</u>	<u>\$ (244,697)</u>	<u>\$ 234,760</u>	<u>\$ 11,698,278</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CAPITAL ASSETS (CONTINUED)

	Capital Assets 9-30-13	Additions	Deductions	Capital Assets 9-30-14
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 7,315	\$ -	\$ -	\$ 7,315
<b>Other capital assets</b>				
Improvements	18,209,268	304,055	-	18,513,323
Machinery and equipment	1,251,444	37,808	11,722	1,277,530
<b>Total other capital assets at historical cost</b>	<b>19,460,712</b>	<b>341,863</b>	<b>11,722</b>	<b>19,790,853</b>
<b>Less accumulated depreciation for:</b>				
Improvements	(9,191,487)	(446,754)	-	(9,638,241)
Machinery and equipment	(744,181)	(71,226)	11,722	(803,685)
<b>Total accumulated depreciation</b>	<b>(9,935,668)</b>	<b>(517,980)</b>	<b>11,722</b>	<b>(10,441,926)</b>
<b>Business-Type activities capital assets, net</b>	<b>\$ 9,532,359</b>	<b>\$ (176,117)</b>	<b>\$ -</b>	<b>\$ 9,356,242</b>

Depreciation expense was charged to functions / programs of the primary government as follows:

<b>Governmental activities</b>	
General	\$ 52,286
Police protection	185,478
Fire protection	99,304
Public Works	441,075
Planning	6,898
Emergency Operations Center	13,475
Parks	154,140
Library	13,432
	<u>\$ 966,088</u>
<b>Business- type activities</b>	
Improvements	\$ 446,754
Machinery and equipment	71,226
	<u>\$ 517,980</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT

Bonds and notes payable at September 30, 2014, are comprised of:

GOVERNMENTAL ACTIVITIES

BONDS:

General Obligation bonds:

\$2,750,000 series 2000 Tax Increment Limited Obligation Bonds, bearing interest payable annually at rates varying from 5.25 to 7.00 percent. Debt serviced by General Fund revenue. \$ 280,000

\$2,025,000 series 2008 General Obligation Refunding Bonds bearing interest payable semi-annually at rates varying from 3.00 to 4.00 percent. The city issued this debt to provide funds for the purpose of refunding in advance of maturity the Series 1999 Special Obligation Bonds, thereby reducing the debt service requirement. 1,070,000

\$1,900,000 series 2010 Unlimited General Obligation Refunding Bonds bearing interest payable semi-annually at rates varying from 1.50 to 3.50 percent. The city issued this debt to provide funds for the purpose of refunding in advance of maturity the Series 2000 General Obligation Special Improvement Bonds, thereby reducing the debt service requirement. 1,310,000

\$ 2,660,000

NOTES/LEASES PAYABLE:

MS Department of Economic & Community Development, 4.65% lease, dated 08-01-00, payable over 20 years. Fire station project. \$ 186,713

MS Development Authority, 2.00% capital improvement loan dated 9-22-10, payable over 10 years. The proceeds were used to purchase a fire truck. 338,665

Bancorp South lease for an excavator, interest rate of 1.79%, principal and interest payments of \$1,428 payable monthly, maturing 3-15-2017 41,863

Trustmark National Bank for a mower, interest rate of 1.84%, principal and interest payments of \$779 payable monthly, maturing 3-15-2017 22,989

Copiah Bank N.A. lease for a tractor, interest rate of 1.71%, principal and interest payments of \$1,471 payable monthly, maturing 4-21-2018 61,276

\$ 651,506

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LONG-TERM DEBT (CONTINUED)**

	<u>Due within one year</u>	<u>Due in more than one year</u>	<u>Total</u>
<b>Bonds</b>	\$ 685,000	\$ 1,975,000	\$ 2,660,000
<b>Notes/lease payable</b>	<u>122,451</u>	<u>529,055</u>	<u>651,506</u>
<b>Total</b>	<u>\$ 807,451</u>	<u>\$ 2,504,055</u>	<u>\$ 3,311,506</u>

**BUSINESS-TYPE ACTIVITIES**

**NOTES/LEASES PAYABLE:**

<b>Copiah Bank N. A. loan for a John Deere tractor, interest at the rate of 1.71%, principal and interest payments of \$741 payable monthly through the year 2017.</b>	\$ 25,225
<b>\$250,000 Capital Improvements Revolving Loan for water improvements, interest at the rate of 2.0 percent, principal and interest payments of \$2,300 payable monthly through the year 2017. Water and sewer department generates funds to cover operating costs and debt service by customer charges. If charges are insufficient to cover costs, charges are increased to cover such costs.</b>	<u>73,801</u>
	<u>\$ 99,026</u>
<b>Due within one year</b>	\$ 34,890
<b>Due within more than one year</b>	<u>64,136</u>
<b>Total</b>	<u>\$ 99,026</u>

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all bonded debt outstanding as of September 30, 2014:

GOVERNMENTAL ACTIVITIES

Year Ended September 30,	Special Obligation Principal	General Obligation Principal	Notes Payable	Interest	Total
2015	\$ -	\$ 685,000	122,451	107,777	\$ 915,228
2016	-	415,000	125,588	76,964	617,552
2017	-	435,000	115,713	61,550	612,263
2018	-	440,000	97,806	44,363	582,169
2019	-	455,000	90,254	25,509	570,763
Years Thereafter	-	230,000	99,694	5,626	335,320
	\$ -	\$ 2,660,000	\$ 651,506	\$ 321,789	\$ 3,633,295

BUSINESS-TYPE ACTIVITIES

Year Ended September 30,	General Obligation Bonds	Revenue Bonds	Notes Payable	Interest	Total
2015	\$ -	\$ -	\$ 34,890	\$ 1,600	\$ 36,490
2016	-	-	35,569	921	36,490
2017	-	-	28,567	240	28,807
2018	-	-	-	-	-
2019	-	-	-	-	-
Years Thereafter	-	-	-	-	-
	\$ -	\$ -	\$ 99,026	\$ 2,761	\$ 101,787

CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LONG-TERM DEBT (CONTINUED)

LIMITATION OF INDEBTEDNESS

No municipality shall hereafter issue bonds for the purposes authorized by the law in an amount which, when added to the then outstanding bonded indebtedness of such municipality, shall exceed fifteen percent until September 30, 1995 and ten percent thereafter, of the assessed value of the taxable property within such municipality, accordingly to the then last completed assessment for taxation. In computing such indebtedness there may be deducted all bonds or other evidence of indebtedness, heretofore or hereafter issued, for school, water, sewer systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefited, or for the purpose of paying the municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. However, in no case shall any municipality contract any indebtedness which, when added to all of the outstanding indebtedness, both bonded and floating, shall exceed fifteen percent of the assessed value of all taxable property within such municipality. Nothing herein contained shall be construed to apply to bonds heretofore or hereafter issued by any municipality which are payable exclusively from revenues of any municipality-owned utility, or to bonds issued by any municipality under the provisions of Section 57-1-1 to 57-1-51, or to any special assessment improvement bonds issued by any municipality under the provisions of Section 21-41-1 through 21-41-53.

The following is a schedule of limitations on the indebtedness of the City at September 30, 2014:

Authorized Debt Limit:	<u>15 Percent</u>
Assessed valuation for fiscal year then ended September 30, 2014 (\$107,074,463)	\$16,061,169
Present debt subject to 15 percent limitation	<u>2,380,000</u>
Margin for further indebtedness (under 15 percent limitation)	<u>\$ 13,681,169</u>

## CITY OF RICHLAND

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 4 - PENSION PLAN

##### Plan Description

The City of Richland contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

##### Funding Policy

PERS members are required to contribute 9% of their annual covered salary and City of Richland is required to contribute at an actuarially determined rate. The city contributed 15.25% of covered payroll from October 1, 2012 through June 30, 2013. The city's rate changed to 15.75% effective July 1, 2013. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Richland's contribution to PERS for the year ending September 30, 2014, was \$749,251, equal to the required contributions for the year.

#### NOTE 5 - LITIGATION

According to the attorneys engaged by the City on a regular basis, the City is not a defendant in any suits with any material contingent losses.

#### NOTE 6 - COMMITMENTS AND CONTINGENCIES

On April 5, 1977, the Mayor and Board of Aldermen executed on behalf of the City, a contract with Richland Creek Watershed Drainage District providing for payment by the City of Richland of \$10,000 per year for 50 years on the District's \$550,000 Farmers Home Administration loan for the purchase of land for the construction of retention dams, all to be in lieu of the District assessing separately approximately 4,000 acres of land within the City.

During the year ended September 30, 2008, the City entered into an agreement with West Rankin Utility Authority to provide waste water treatment for 30 years. The city agreed to remit monthly payments representing the City's proportionate share of the Authority's annual budget.

**CITY OF RICHLAND**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - DEPOSITS**

At year-end, the City had unrestricted and restricted cash on deposit with local banks. These balances were covered by the bank's federal depository insurance and collateral held by the pledging bank in the City's name.

**NOTE 8 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represents, in the General Fund the amount due from the Mississippi State Tax Commission for sales tax.

**NOTE 9 - INTERFUND TRANSACTIONS**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Enterprise Fund records charges provided by the City as operating expenses and remits all garbage fees collected to the General Fund on a monthly basis. These operations have generated interfund receivable and payable balances representing amounts from September activity as well as transactions that occurred during the year. Transfers into the Debt Service Fund from the General Fund amounting to \$420,000 were recorded as transfers in the General Fund.

**NOTE 10 - PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied as of January 1 and payable on or before February 1. The county bills and collects property, personal auto and mobile home taxes and remits these funds to the City. The millage rate for the City for January through December 2014 was 19.0 mills, all of which went to the General Fund.



CITY OF RICHLAND

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 23, 2015, which is the date the financial statements were available to be issued.

NOTE 12 - CONTRACT COMMITMENTS

At September 30, 2014, the City had entered into various contracts to acquire and construct municipal facilities as follows:

<u>Project</u>	<u>Total Contract Amount</u>	<u>Cost incurred as of Sept. 30, 2014</u>	<u>Commitment outstanding as of Sept. 30, 2014</u>
New Water Well - Cleary Road	\$ 126,400	\$ 32,864	\$ 93,536
Cleary Road Water Project	\$ 410,809	\$ 71,837	\$ 338,972
Hwy 49 Utility Relocation Project	\$ 4,494,795	\$ 90,782	\$ 4,404,013
West Harper Street Drainage	\$ 32,000	\$ 4,368	\$ 27,632
Sylvan Hill Drainage Improvements	\$ 185,000	\$ -	\$ 185,000
Gateway Drive Drainage Improvements	\$ 50,000	\$ 4,087	\$ 45,913
New Police Dept. Bldg.	\$ 4,100,000	\$ 320	\$ 4,099,680

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF RICHLAND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Revisions	Final Budget	Total Actual	Variance
<b>REVENUES</b>					
Advalorem taxes	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,651,725	\$ 151,725
Sales tax	4,500,000	249,536	4,749,536	4,950,700	201,164
Licenses and permits	120,000	-	120,000	171,798	51,798
Inter-governmental	109,500	-	109,500	110,033	533
Garbage fees	300,500	-	300,500	260,930	(39,570)
Fines and forfeits	400,000	-	400,000	314,795	(85,205)
Franchise tax	250,000	11,500	261,500	271,443	9,943
Interest	2,400	-	2,400	4,632	2,232
Grand Gulf	121,000	-	121,000	120,038	(962)
Drug seizure	550,000	96,000	646,000	713,916	67,916
Miscellaneous	1,661,500	-	1,661,500	782,222	(879,278)
<b>Total revenue</b>	<b>10,514,900</b>	<b>357,036</b>	<b>10,871,936</b>	<b>10,352,232</b>	<b>(519,704)</b>
<b>EXPENDITURES</b>					
General Government	789,396	198,036	987,432	963,078	24,354
Police Department	3,482,127	96,000	3,578,127	3,507,578	70,549
Court Services	481,223	-	481,223	414,684	66,539
EOC Department	29,300	-	29,300	1,157	28,143
Fire Department	2,003,875	-	2,003,875	1,942,399	61,476
Public Works	1,763,394	50,000	1,813,394	1,159,634	653,760
Planning and Development	328,972	-	328,972	286,555	42,417
Sanitation Department	300,500	8,000	308,500	304,469	4,031
Parks and Recreation	973,218	-	973,218	883,711	89,507
Library	44,500	-	44,500	24,682	19,818
Urban Programs	52,800	5,000	57,800	46,436	11,364
<b>Total expenditures</b>	<b>10,249,305</b>	<b>357,036</b>	<b>10,606,341</b>	<b>9,534,383</b>	<b>1,071,958</b>
Excess of revenues over (under) expenditures	265,595	-	265,595	817,849	552,254
Other financing sources (uses):					
Operating transfers out	(420,000)	-	(420,000)	(420,000)	-
Operating transfers in	112,464	-	112,464	60,000	52,464
<b>Net change in Balance</b>	<b>(41,941)</b>	<b>-</b>	<b>(41,941)</b>	<b>457,849</b>	<b>499,790</b>
<b>Fund balance - Beginning</b>	<b>4,087,636</b>	<b>-</b>	<b>4,087,636</b>	<b>3,670,903</b>	<b>-</b>
<b>Fund balance - Ending</b>	<b>\$ 4,045,695</b>	<b>\$ -</b>	<b>\$ 4,045,695</b>	<b>\$ 4,128,752</b>	<b>\$ 499,790</b>

See accountants' report.

**SUPPLEMENTARY INFORMATION**

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT  
SEPTEMBER 30, 2014**

<b>General Obligation Bonds</b>	<b>Balance 09-30-13</b>	<b>Transactions During Fiscal Year</b>		<b>Balance 09-30-14</b>
		<b>Issued</b>	<b>Redeemed</b>	
<b>2000 \$2,750,000 tax increment limited obligation bonds</b>	\$ 545,000	\$ -	\$ 265,000	\$ 280,000
<b>2008 \$2,025,000 general obligation refunding bonds</b>	1,265,000	-	195,000	1,070,000
<b>2010 \$1,900,000 unlimited general obligation refunding bonds</b>	<u>1,510,000</u>	<u>-</u>	<u>200,000</u>	<u>1,310,000</u>
<b>Total bonds payable</b>	<u>3,320,000</u>	<u>-</u>	<u>660,000</u>	<u>2,660,000</u>
 <b>Loan/Lease Payable</b>				
<b>Bancorp South - 1.79% excavator lease dated 3-26-14</b>	-	49,516	7,653	41,863
<b>MS Department of Economic &amp; Community Development - 2.00% capital improvement loan 7-1-07</b>	99,647	-	25,846	73,801
<b>Copiah Bank N.A. - 1.71% tractor lease dated 08-07-13</b>	33,602	-	8,377	25,225

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF CHANGES IN LONG-TERM DEBT - PAGE 2  
SEPTEMBER 30, 2014**

<u>Loan/Lease Payable - Con't</u>	<u>Balance 09-30-13</u>	<u>Transactions During Fiscal Year</u>		<u>Balance 09-30-14</u>
		<u>Issued</u>	<u>Redeemed</u>	
MS Department of Economic & Community Development - 4.65% capital improvement loan 8-1-00 \$	213,513 \$	-	\$ 26,800	\$ 186,713
Trustmark National Bank - 1.84% mower lease dated 3-11-14	-	27,421	4,432	22,989
Copiah Bank N.A. - 1.71% tractor lease dated 4-21-14	-	68,165	6,889	61,276
MS Development Authority - 2.00% capital improvement loan 9-22-10	<u>389,757</u>	<u>-</u>	<u>51,092</u>	<u>338,665</u>
<b>Total loan/lease payable</b>	<u><b>736,519</b></u>	<u><b>145,102</b></u>	<u><b>131,089</b></u>	<u><b>750,532</b></u>
<b>Total long-term debt</b>	<u><b>\$ 4,056,519</b></u>	<u><b>\$ 145,102</b></u>	<u><b>\$ 791,089</b></u>	<u><b>\$ 3,410,532</b></u>

See accountants' report.

**CITY OF RICHLAND**

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICERS  
SEPTEMBER 30, 2014**

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond</b>
Mark S. Scarborough	Mayor	Western Surety	\$ 100,000
Clay Burns	Alderman	Western Surety	100,000
Robert Craft	Alderman	Western Surety	100,000
Pat Sullivan	Alderman	Brierfield Insurance Company	100,000
Bob Wedgeworth	Alderman	Brierfield Insurance Company	100,000
Cathey Wynne	Alderman	Brierfield Insurance Company	100,000
Melinda Quick	City Clerk	Western Surety	50,000
Virginia Sanford	Deputy clerk	Western Surety	50,000
Mindy Thurman	Deputy clerk	Brierfield Insurance Company	50,000
Barbara Adams	Deputy clerk	Western Surety	50,000
Russel James	Chief of Police	Western Surety	50,000
Teri Wood	Events Coordinator	Western Surety	50,000
Richard Hawthorne	Park Director	Western Surety	50,000
Belinda Kilpatrick	Court Clerk	Western Surety	50,000
Michael Furini	Deputy Court Clerk	Western Surety	50,000
Howard Hollard	Assistant Chief of Police	Western Surety	50,000
Tracie L. Cockroft	Deputy Court Clerk	Western Surety	50,000
Allison Clark	Deputy Court Clerk	Western Surety	50,000
Holly Roberts	Deputy Court Clerk	Brierfield Insurance Company	50,000
James D. King	Deputy Court Clerk	Western Surety	50,000
Randall J. Walters	Deputy Court Clerk	Western Surety	50,000
Lorrie Peterson	Deputy Court Clerk	Western Surety	50,000
Thomas Guy Smith	Youth Coordinator	Western Surety	50,000
Mandy Lambert	Receptionist	Western Surety	50,000
Anna Pruitt	Receptionist	Western Surety	50,000
Cheryl Erwin	Receptionist	Western Surety	50,000
Jason Sutphin	Water Dept Manager	Western Surety	50,000
Sharon Holmes	Water Clerk	Western Surety	50,000
Pam Gregory	Water Clerk	Western Surety	50,000
Melissa Ashley	Permit Clerk	Western Surety	50,000
Blanket bonds	Police Officers	State Auto Insurance Company	50,000
Blanket bonds	All other city employees	State Auto Insurance Company	50,000

See accountants' report.

**REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***



# *Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
Gary L. Walker, CPA  
Jessica Lea Minter, CPA, PFS

MEMBERS  
American Institute of  
Certified Public Accountants  
Mississippi Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Board of Aldermen  
City of Richland  
Richland, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Richland, Mississippi, as of and for the year ended September 30, 2014 which collectively comprise the City of Richland, Mississippi's basic financial statements and have issued our report thereon dated March 23, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Richland, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Richland, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Richland, Mississippi's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a

The Honorable Mayor and  
Board of Aldermen  
City of Richland  
Page 2

material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Richland, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lyle Walker & Co., P.A.

March 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

*Lyle, Walker & Co., P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

David L. Lyle, CPA  
Gary L. Walker, CPA  
Jessica Lea Minter, CPA, PFS

MEMBERS  
American Institute of  
Certified Public Accountants  
Mississippi Society of  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS  
AND REGULATIONS**

**The Honorable Mayor and Board of Alderman  
City of Richland  
Richland, Mississippi**

We have audited the basic financial statements of the City of Richland, Mississippi, as of and for the year ended September 30, 2014 and have issued our report dated March 23, 2015. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Lyle Walker & Co., P.A.*

March 23, 2015